

Seyfarth Shaw LLP
World Trade Center East
Two Seaport Lane, Suite 300
Boston, MA 02110
(617) 946-4800
William J. Hanlon, Esq. (WH 8128)

Attorneys for LBQ Foundry S.A. de C.V.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

DELPHI CORPORATION

Debtors.

Chapter 11
Case No. 05-44481 (RDD)

**AFFIDAVIT IN SUPPORT OF LBQ FOUNDRY S.A. DE C.V.'S MOTION FOR
ORDER UNDER 11 U.S.C. § 365(d)(2) DIRECTING THE DEBTORS TO
DETERMINE WITHIN 20 DAYS WHETHER TO ASSUME OR REJECT THEIR
EXECUTORY CONTRACTS WITH LBQ FOUNDRY S.A. DE C.V.**

Victor Ortega Giles, under penalty of perjury, deposes and states:

1. I am the Finance Director of LBQ Foundry S.A. de C.V. ("LBQ"). As Finance Director of LBQ, I am familiar with LBQ's day-to-day operations, business affairs and records. I am also authorized to submit this Affidavit (the "Affidavit").

2. I submit this Affidavit in support of the LBQ's *Motion for Order Under 11 U.S.C. § 365(d)(2) Directing the Debtors to Determine Within 20 Days Whether to Assume or Reject Their Executory Contracts with LBQ* ("Assumption Motion").

3. All facts set forth in this Affidavit are based on my personal knowledge, upon information supplied to me by others within LBQ and its affiliates and upon my review of relevant documents, or on my opinion based upon my experience and knowledge of the LBQ's operations and financial condition. If I were called upon to testify, I could and would testify competently to the facts set forth herein.

4. LBQ is a Mexican subsidiary of Le Belier, a French corporation. Neither LBQ nor Le Belier have U.S. operations.

5. LBQ is a sole source supplier of brake components to Delphi Energy & Chassis Systems (“DESC”)¹ pursuant to several long-term purchase orders denominated “Requirements Contract,” (the “LBQ Requirements Contracts”). As of the petition date, invoices in the aggregate amount of approximately \$1,409,044.73 remain unpaid.

6. As a direct result of DESC’s defaults, LBQ faces a severe liquidity crisis which threatens its ability to continue to supply brake components to DESC. If LBQ is to be able to fulfill DESC’s purchase orders, DESC must assume and cure its agreements with LBQ. If DESC does not wish to continue doing business with LBQ, in order to avoid catastrophic damage to the Debtors and to LBQ, LBQ must take immediate, and appropriate steps to deal with its own creditors and to attempt to assure a smooth transition of DESC to a new supplier.

The LBQ Contracts

7. LBQ supplies Delphi with aluminum brake components under the LBQ Requirements Contracts, summarized as follows:

Le Belier/Delphi Requirements Contracts

<u>Exhibit</u>	<u>Program</u>	<u>P.O. Number</u>	<u>Issue Date</u>	<u>End Date</u>	<u>Part Number(s)</u>
A	GMX001	550025911	05/08/03	09/30/09	18077920
B	GMT800	550004915	11/01/01	06/01/06	18045894
C	GMT800 mod	550075014	06/06/05	12/31/07	18084773
D	GMT355	550005887	11/01/01	12/31/07	18042476
E	GMT 900	550025909	05/07/03	06/30/11	18077597

¹ Upon information and belief, DESC is a division of Delphi Corporation.

8. All but one of the LBQ Requirements Contracts states that “This Requirement Contract is for 100% unless otherwise specified.”² Each LBQ Requirements Contract calls for delivery to Delphi’s Needmore, OH facility. Each LBQ Requirements Contract specifies an initial price for each product, and certain adjustments in the prices of such products to become effective on certain specified dates.

9. Copies of the LBQ Requirements Contracts are attached to the Assumption Motion as Exhibits A – E. The LBQ Requirements Contracts are periodically updated by way of purchase order.

10. DESC is in default under the LBQ Requirements Contracts, having failed to make full payment for components sold and delivered to Delphi prior to the Petition Date. The total balance due for LBQ’s pre-petition performance under the LBQ Requirements Contracts (exclusive of the actual pecuniary loss caused by DESC’s default) is not less than \$1,409,040. This balance includes the price of components delivered under the LBQ Requirements Contracts between May, 2005 and October 8, 2005.

11. DESC’s default under the LBQ Requirements Contracts has resulted in a severe and ongoing liquidity crisis for LBQ which threatens LBQ’s ability to perform under the LBQ Requirements Contracts. LBQ’s own creditors are unwilling to extend the credit necessary to LBQ’s continued performance unless the LBQ Requirements Contracts are cured and assumed. If DESC is unwilling to assume the LBQ Requirements Contracts, LBQ must take immediate steps to advise DESC in obtaining a replacement supplier.

² Purchase order 55002909 specifies a quota of 25%.

12. To produce the products under the LBQ Requirements Contracts, LBQ has made a capital investment of just under \$1,800,000, which has been depreciated to a current value of \$1,000,000 in specially designed machinery with a limited life span and limited adaptability for new purposes. Assuming that new purposes could be found, LBQ estimates a start-up time of approximately one year until production begins. Even taking into account depreciation on this investment, LBQ does not make a profit fulfilling the LBQ Requirements Contracts. Ortega Affidavit, ¶12. Notwithstanding this state of affairs, LBQ is prepared perform the LBQ Requirements Contracts, but cannot do so without the Debtor's commitment.

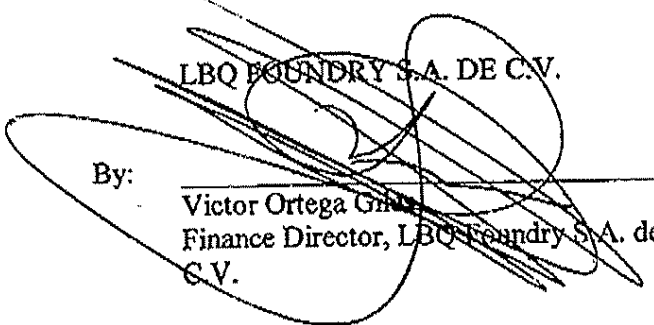
13. DESC's payment default alone has caused an extraordinary cash flow problem which threatens LBQ's viability. Specifically, LBQ cannot replace the \$1,409,040 of cash due from DESC with vendor or bank financing. Approximately two-thirds of the cost to produce parts for DESC is attributable to materials. No supplier will extend credit to LBQ for the length of this reorganization. Unless the interruption in LBQ's cash flow is corrected, LBQ will not have sufficient funds to pay for materials, may be cut off by its own suppliers and may be unable to perform under the LBQ Requirements Contracts.

14. In addition to the cash flow crisis caused by DESC's default, DESC's failure to assume the LBQ Requirements Contracts has made it impossible for LBQ to obtain working capital financing. Even if DESC were to cure its payment default today, LBQ must obtain working capital funding in the approximate amount of \$1.8 million dollars in order to keep manufacturing products. This facility has proven impossible to obtain while Delphi retains the right to reject the LBQ Requirements Contracts. LBQ's annual sales to DESC for 2004 were approximately \$9,900,000. DESC purchased

approximately one-third of LBQ's output in 2004. No lender is willing to loan to LBQ as long as DESC retains the right to reject the LBQ Requirements Contracts, raising the possibility that LBQ cannot perform under the LBQ Requirements Contracts.

15. Notwithstanding the severe consequences of DESC's default, LBQ has continued to supply proprietary products to Delphi Mexico at the rate of approximately \$ 40,428 per month. LBQ is not subject to the automatic stay in Mexico, yet it has refrained from exercising its remedies in Mexico. Id.

Dated: January 20, 2006

By:  LBQ FOUNDRY S.A. DE C.V.
Victor Ortega
Finance Director, LBQ Foundry S.A. de C.V.